

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 1604 – SB 2690**

February 11, 2018

**SUMMARY OF BILL:** Redefines “urban county” and “rural county” for the purpose of allocating revenue received from new specialty earmarked license plates that is allocated to and distributed by the Tennessee Arts Commission (TAC). Reorganizes special license plates statues and publications.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- Pursuant to Tenn. Code Ann. § 55-4-215(a) and (b), all revenues produced from the sale or renewal of new specialty earmarked motor vehicle registration plates, after deducting the expense the Department of Revenue has incurred in designing, manufacturing and marketing the plates is allocated as follows: 50 percent to the nonprofit organization or state agency or fund earmarked to receive the funds by the statute authorizing the issuance of the plate; 40 percent to the TAC; and 10 percent to the Highway Fund.
- The revenues allocated to the TAC are required to be distributed by the TAC in the form of grants to arts organizations or events which meet criteria established by the TAC for receiving grants, within the following parameters: one-third of the funds will be distributed to qualifying arts organizations or events in urban counties; and two-thirds of the funds will be distributed to such organizations or events in rural counties. However, before any such allocation, the TAC is authorized to retain up to 50 percent of the revenues allocated to the TAC for other grants and activities as determined by the TAC.
- Under current law, pursuant to Tenn. Code Ann. § 55-4-215(e), urban counties are those counties that are included within a metropolitan statistical area, as defined by the Federal Office of Management and Budget (FOMB) and rural counties are those counties not included within a metropolitan statistical area as defined by the FOMB.
- This legislation would change the definition of “urban county” to mean a county with 50 percent or more of its population being within an urbanized area, as defined by the U.S. Census Bureau, and “rural county” to mean a county that is not an urban county.
- The TAC reports that this change would result in 25 counties currently being counted as urban to be redefined as rural.
- The TAC administers grant competitions involving applications that are rated and ranked against published community value criteria by impartial panels knowledgeable about the particular form or activity.

- The TAC would adjust its internal processes to reflect the revised urban and rural county definitions for the allocation of revenues.
- The proposed legislation could result in more funds being available for qualifying arts organizations or events in the remaining counties designated as urban as one-third of funds distributed by the TAC will be allocated to a lesser number of urban counties upon redefinition of 25 urban counties to rural. On average, qualifying arts organizations or events in rural counties could see a decrease in funding available.
- However, the TAC still retains discretion in expending up to 50 percent of allocated revenue for other grants and activities, which could impact amounts that any rural or urban county will be awarded. Based on information provided by the TAC, it is assumed that all organizations and events that the TAC determines as qualified to receive grants based on the established criteria will be awarded such grants, regardless of the county designation in which such organizations and events operate or will take place.
- The proposed legislation will not result in a significant fiscal impact to the state or local government. The amount of funding allocated to and distributed by the TAC will not be affected.
- Any impact to the Department of Revenue from updating the references to specific statutes and publications is estimated to be not significant.

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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